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IN THE

Supreme Court of the United States

OCTOBER TERM, 1965.

No. [redacted] 212

WALKER PROCESS EQUIPMENT, INC.,
Petitioner,

vs.

FMC CORPORATION,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

PETITIONER'S REPLY BRIEF.

CHARLES J. MERRIAM,
WILLIAM A. MARSHALL,
OWEN J. MURRAY,
Attorneys for Petitioner.

Of Counsel:
MERRIAM, MARSHALL, SHAPIRO & KLOSE,
30 West Monroe Street,
Chicago, Illinois 60603.

THE BUNTHORP-WARREN PRINTING COMPANY, CHICAGO

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I. INTRODUCTION.

Respondent's lengthy brief emphasizes the difficulties confronting Petitioner and demonstrates the length to which FMC will go to avoid adjudication of its patent. By setting up its process patent as an untouchable, FMC is permitted to maintain a monopolistic practice in the sale of its unpatented apparatus with the courts unwittingly participating in furthering Respondent's clever, but insidious, scheme. Whether or not FMC should be allowed to continue its practice unabated is a matter of national import because of the widespread abuses of patents as economic weapons which will result.

It is evident from Judge Swygert's dissenting opinion in this case (Pet. App. 21)* that Walker has a sufficient interest, based on its pleaded allegations to seek relief under the Declaratory Judgment Act.

The need for this Court to exercise its certiorari jurisdiction is epitomized in this case not only to resolve the aforementioned issue, but also to resolve the conflict that exists between the various circuits as to what standard of conduct must be followed by a patentee who seeks to avoid adjudication of his patent.

II. THERE IS A CONFLICT BETWEEN THE HOLDINGS OF THE VARIOUS COURTS OF APPEALS.

On page 1 of FMC's brief, the assertion is made that no conflict exists between the holdings of various circuits. This is not so. The Sixth Circuit, as well as an earlier, but recent, decision of the Seventh Circuit, has held that practices, such as employed by FMC in the instant case, provide the basis for a declaratory judgment action, contrary to the holding in the instant case by the Court of Appeals for the Seventh Circuit.

Specifically, in *E. W. Bliss Co.* v. *Cold Metal Process Co.*, 102 F. 2d 105 (6th Cir. 1939) the Court of Appeals for the Sixth Circuit concluded that the conduct of a process patentee, in making threats to customers of a mill manufacturer, would support a declaratory judgment action by the mill manufacturer who sought both a declaration as to the validity of the patents in question and an adjudication that the declaratory judgment plaintiff's mills did not infringe any of the patentee's patents. The patentee's con-

* Throughout this brief, petitioner's appendix will be referred to as (Pet. App. ....); Respondent's brief will be referred to as (Res. Br. ....); Plaintiff-Petitioner's appendix in the court below will be (Pl. App. ....).

tention, 102 F. 2d at p. 108, that its principal patent claims were process claims was of no avail.

In *National Coupling Co.* v. *Press-Seal Gasket Corp.*, 323 F. 2d 629 (7th Cir. 1963) the patentee had written a customer of the declaratory judgment plaintiff to the effect that the use of a gasket, purchased from the declaratory judgment plaintiff, when installed on concrete pipe, constituted infringement of the patentee's patent. The patent was directed to the combination of a pipe structure and a gasket, and the plaintiff sold the gasket to pipe manufacturers who completed the combination. Upon appeal from dismissal of the complaint on the basis that plaintiff's gasket was a staple article of commerce suitable for non-infringing use, the Court of Appeals for the Seventh Circuit reversed the lower court decision. The court stated at page 633:

> "National Coupling [declaratory judgment plaintiff] should have the opportunity to vindicate itself of the charge that it is a contributory infringer. Furthermore, since Press-Seal has put the validity of the patent in issue, National Coupling should have the right to challenge the patent. Of the two questions, validity and infringement, 'validity has the greater public importance.' *Sinclair & Carroll Co.* v. *Interchemical Corp.*, 325 U. S. 327, 65 S. Ct. 1143, 89 L. Ed. 1644 (1945)."

Thus, as exemplified by the *Bliss* case, *supra*, confusion and conflict exist not only between the various circuits as to what charge or conduct by a patentee is required to support a declaratory judgment action but also between decisions emanating from the Seventh Circuit, as evidenced by the *National Coupling* decision, supra.

III. THE CHARGES EXPRESSLY MADE BY FMC AGAINST WALKER IN THE GREENSBORO SUIT HAVE NEVER BEEN WITHDRAWN OR RESOLVED AND A JUSTICABLE CONTROVERSY EXISTS, NOT MERELY A HYPOTHETICAL SET OF FACTS.

FMC attempts to negate the fact that it expressly charged Walker with contributory infringement by blandly averring that the charge is moot because the court of appeals in the *Greensboro* case found there was no infringement (Res. Br. 22-23).

FMC's inapt statement that only a hypothetical set of facts is involved is also misleading. In the *Greensboro* suit, Walker was actually charged with inducing infringement, such charge having been dismissed from the suit and not adjudicated. Furthermore, Walker continues to sell the same "Gaslifter" sewage digestion apparatus that it sold at Greensboro. It has sold the apparatus to municipal customers who use it in a process which could be charged to infringe FMC's patent, and Walker has given indemnification contracts to such purchasers. There have been threats, to enforce the patent, directed to Walker's customers. In fact, the City of Aurora has been identified as employing Walker's equipment in a process which is allegedly covered by FMC's patent (Pl. App. 23-24). These circumstances have given rise to a factual situation in which the Seventh Circuit Court of Appeals has given relief in a Declaratory Judgment Action.

In the footnote on page 4 of Respondent's brief, FMC, in endeavoring to make what it considers to be "necessary" corrections of the facts, contends that Petitioner's equipment can be used for non-infringing uses and that this point "must be kept in mind." What FMC conveniently overlooks is the fact that the defense of non-infringing use is not available to the patentee who has

made the charge of contributory infringement but rather only to the alleged contributory infringer.

In this light, the *National Coupling* case, cited supra, should be considered, where the Court, at page 632, declared:

> "Had there been a trial on the merits, plaintiff [National Coupling], in order to absolve itself of the charge of contributory infringement, might have chosen to attempt a demonstration that its product is a staple article or commodity of commerce suitable for substantial noninfringing use. But that would have been an affirmative defense to the charge of contributory infringement made by Press-Seal [patentee] against National Coupling. It would have been available *only* to National Coupling as a means of vindication of the charge. It may not be employed by Press-Seal to keep the charge of contributory infringement alive and at the same time immunize itself from a suit that challenges the charge of infringement and the validity of its patent. Both of these issues were invited by Press-Seal when it wrote the letter to American-Marietta."

A review of FMC's letter (Pl. App. 9) will show that these same issues were invited by FMC when it wrote the aforementioned letter.

IV. IT IS NOT THE "MERE MAINTENANCE OF A LICENSING PROGRAM" WHICH GIVES RISE TO A CONTROVERSY BUT THE MANNER IN WHICH RESPONDENT CARRIES OUT ITS PROGRAM AND THE ADVERSE EFFECT ON PETITIONER'S SALES ACTIVITIES WHICH CAUSES THE CONTROVERSY.

FMC's licensing program is like a Portuguese Man O' War, which, while appearing innocent on the surface, has long tentacles which sting those who come in contact with them. The subsurface effect of FMC's "mere" licensing program has been to force Walker to give indemnity agree-

ments to its customers who have been placed on notice of FMC's patent postion by both FMC's so-called license offers and its aggressive enforcement attitude as exemplified by the *Greensboro* case. It also causes Walker to lose customers who fear litigation even when indemnified.

An analysis of the much-discussed FMC letter (Pl. App. 9) will show this letter was an effective threat. It was not a newsletter advising of the outcome of the *Greensboro* lawsuit, nor a simple license offer. It was a veiled threat which brought to the attention of the recipient the limited nature of the *Greensboro* decision, the implication of the validity of the Forrest patent in suit, and the implied threat that the recipient had better take a license unless it wanted to be placed in the position of an infringer of the Forrest patent.

This letter was not sent to sophisticated students of declaratory judgments but was sent to engineering firms who obviously had to interpret it as a threat to their peaceful practice of installing sewage systems.

FMC assumes an undeserved, self-righteous attitude by discussing in its brief the ways that infringement of the Forrest patent can be avoided (Res. Br. 17-18). These voluntary statements, while affording general directions that any lawyer would investigate in interpreting the claims, were not spelled out in any letters that FMC dispatched to the legally naive trade. Since FMC has gone off the record with statements of how to avoid infringement, Walker may perhaps indicate that no prospective customer has been shown to have been given a flat statement as to how to avoid infringement. The argument of FMC in the *Greensboro* case shows the real FMC behind their self-raised halo.

Accordingly, FMC's threats had their calculated effect, viz., a doubt was raised as to whether or not the Forrest

patent was infringed with the result that the recipient of the letter (Pl. App. 9) either joined with the patentee on terms dictated by the patentee or lived under a threat of suit and insisted on indemnity arrangements before dealing with others than the patentee in the purchase of unpatented equipment.

These letters to the trade couched in the language of Exhibit A (Pl. App. 9) constitute threats and make the patent owner's position clear with respect to a manufacturer's customer. As the Court said in *Girdler Corp.* v. *E. I. DuPont de Nemours & Co.*, 56 F. Supp. 871, 875 (D. Del. 1944):

> "... the result is that the declaratory judgment plaintiff, as manufacturer, finds his competition threatened by such patent owner's assertions; and the other result is the customer's fear of suit against itself. When this happens, a real controversy exists over the scope of the patent as between the declaratory judgment plaintiff *vs.* the owner of the patent."

V. CONCLUSION.

This is a matter of law which requires consideration by this Court in order to settle the differences between the circuits because, otherwise, other patentees will be encouraged wherever they have a method patent to procure a monopoly contrary to *Mercoid Corp.* v. *Mid-Continent Investment Co.*, 320 U. S. 661 (1944). Through the sale of unpatented equipment FMC has made cities believe that they need a license under a vague and indefinite method patent and then, by subtle language and avoidance of a frank and open charge, prevents anyone from testing the validity of the patent. If FMC is successful in making cities buy only its equipment, it has a perfect, court-proof

method of procuring a monopoly of unpatented commodities through clever use of a method patent.

Respectfully submitted,

CHARLES J. MERRIAM,
WILLIAM A. MARSHALL,
OWEN J. MURRAY,
Attorneys for Petitioner.

Of Counsel:
MERRIAM, MARSHALL, SHAPIRO & KLOSE,
30 West Monroe Street,
Chicago, Illinois 60603.